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## Democrats Hinder Enrollment In the Medicare R<sub>x</sub> Discount Card Program

*[Note: This is the second in a series of RPC papers on the new Medicare Prescription Drug Discount Cards. The first, "Medicare R<sub>x</sub> Discount Cards: Sorting Myth from Fact," was issued on May 11, 2004.]*

### ***-Executive Summary-***

- On June 1, the Medicare program began providing the nation's seniors and disabled individuals who had enrolled in the new prescription drug card program with discounts off the average retail price of prescription drugs. Research indicates that Medicare beneficiaries can save up to 17 percent for brand-name drugs and up to 60 percent for generic equivalents.
- Despite the significant savings, many Democrats actively have engaged in a scare-tactic campaign aimed at discouraging Medicare beneficiary participation.
- Critics should be reminded that the primary purpose of the drug card is to offer immediate assistance until the broader, voluntary prescription drug benefit becomes available in 2006.
- The Medicare drug card program has enrolled nearly 4 million beneficiaries to date, and about 25,000 new beneficiaries enroll each day.
- The Bush Administration continues to make improvements to the program, making the enrollment process more consumer-friendly.
- New polling data suggest that the public has a negative view of the drug card program. Rather than continue playing political football with the program, Democrats should cease their criticisms and, instead, encourage beneficiaries to check the facts so they can make informed decisions for themselves.

## Introduction

On June 1, the Medicare program began providing the nation's seniors and disabled individuals who had enrolled in the new prescription drug card program with discounts off the average retail price of prescription drugs. Participants' out-of-pocket savings are expected to be substantial. Research indicates that Medicare beneficiaries can save up to 17 percent for brand-name drugs and up to 60 percent for generic equivalents.<sup>1</sup> The savings can be even higher (as much as 86 percent) for low-income Medicare beneficiaries when combining the \$600 annual transitional assistance (that is, up to \$1,200 for this year and next) and additional manufacturer discounts.<sup>2</sup>

Despite the significant savings – and despite the fact that nine Senate Democrats voted for the new program as part of the Medicare reform law (P.L. 108-173) – many Democratic lawmakers actively have been discouraging Medicare beneficiaries from participating in the drug-card program. In the Democrats' national weekly radio address on July 17, Rep. Jan Schakowsky (D-IL) charged that the new Medicare law has resulted in *higher* out-of-pocket costs for beneficiaries and that lawmakers should “scrap this bill entirely and start fresh.”<sup>3</sup>

Other criticisms lodged by Democrats range from the program being too confusing to it not providing enough savings. For instance, Representative Carolyn McCarthy (D-NY) issued a report for her constituents charging that the “Medicare prescription discount cards provide little or no help with the cost of medicines.”<sup>4</sup> Senator John Kerry (D-MA) issued a statement claiming that seniors can achieve greater savings through online pharmacies such as Drugstore.com.<sup>5</sup> And, according to a recent article in the *San Francisco Chronicle*, House Minority Leader Nancy Pelosi (D-CA) called the cards “a bad deal for seniors.” The article also includes comments from Senate Minority Leader Tom Daschle (D-SD) calling the cards “a failure,” and charging that “the big drug companies and the HMO industry are the beneficiaries of the new Medicare law.”<sup>6</sup>

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<sup>1</sup>Centers for Medicare and Medicaid Services (CMS), press release, “Medicare Drug Discount Cards Continue to Drop Prices and Offer Better Savings,” May 14, 2004.

<sup>2</sup>CMS, press release, “Many Medicare Discount Cards Offer Big Savings,” June 23, 2004.

<sup>3</sup>Representative Jan Schakowsky (D-IL), Democratic Weekly Radio Address, July 17, 2004.

<sup>4</sup>U.S. House of Representatives Committee on Government Reform – Minority Staff report, “Medicare Drug Cards Provide Few Discounts in New York’s 4<sup>th</sup> Congressional District, Prepared for Representative Carolyn McCarthy,” July 2004.

<sup>5</sup>John Kerry for President, “Another False Promise: Bush’s Medicare Drug Card,” May 3, 2004.

<sup>6</sup>*San Francisco Chronicle*, “Drug Cards Prove No Boon for GOP; but Supporters Say Needy Seniors Can Find Big Savings,” July 6, 2004.

The campaign to discredit the drug card often is reflected in press coverage. For example, a recent *Washington Post* editorial, titled “Drug Card Confusion,” went so far as to suggest that the drug card program was not worth implementing, due to all of the confusion and complexity.<sup>7</sup>

Not only are these and other charges false, but they also provide a disservice to beneficiaries by turning them against a program that – for the first time in Medicare’s history – can offer real help with the rising cost of prescription drugs. Research indicates that many private card sponsors routinely provide savings, often beating online pharmacies’ prices for the most popular brand-name prescriptions.<sup>8</sup>

Such criticisms also work against the efforts of the Association of American Retired Persons (AARP), a key advocacy group for senior citizens, which is on record supporting the drug-card program. John Rother, policy director for AARP, recently expressed “hope that the experience of those signing up [for the card] – which will be positive – will get communicated, but the controversy has definitely inhibited enrollment so far . . . because criticism of the card discourages its use.”<sup>9</sup>

Recent poll data confirm Mr. Rother’s concerns. A private poll conducted by New Models in late June revealed that while 79 percent of respondents were familiar with the new prescription drug card program, only 39 percent had a favorable opinion about it, and 22 percent were unwilling to register an opinion.<sup>10</sup>

Critics should be reminded that the primary purpose of the drug card is to offer immediate assistance until the broader, voluntary prescription drug benefit becomes available in 2006. During last year’s Medicare debate, concerns were raised that the new Part D drug benefit would take too long to implement. As a result, lawmakers suggested the notion of a temporary drug card as a way to help beneficiaries immediately save money on rising prescription drug costs – a decision that was supported by the Republicans and Democrats alike in the final conference report in the Senate.<sup>11</sup>

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<sup>7</sup>*The Washington Post*, “Drug Card Confusion,” June 22, 2004.

<sup>8</sup>“Medco’s Discount Card Provides Senior’s With Real Savings,” Medco Health Solutions, May 2004. Studies found a savings up to 23 percent off the average retail price and up to 27 percent off through mail-order. Prices were derived from a basket of popular branded drugs, recently highlighted in the Minority Staff Committee on Government Reform report: *New Medicare Drug Cards Offer Few Discounts* (April 2004).

<sup>9</sup>*San Francisco Chronicle*, July 6, 2004.

<sup>10</sup>New Models, a private poll conducted of 1,000 registered voters, June 23-24, 2004 (margin of error +/- 3.1; released with permission).

<sup>11</sup>Nine Democratic Senators supported the final passage of the Medicare Conference Report, including Senators Carper, Conrad, Dorgan, Feinstein, Landrieu, Lincoln, Miller, Nelson, and Wyden.

Congress specifically authorized the drug card program for an 18-month period to provide immediate help to those beneficiaries without drug coverage (or with insufficient coverage). However, because it is new, the system is not perfect and significant improvements have been and will continue to be implemented. Improvements to date include: increasing the number of toll-free call representatives so that waiting times for those calling in with questions have been reduced to an average of two minutes; expanding the website's dictionary of drugs; and accommodating varying dosage amounts for certain drugs. This has significantly improved the sign-up process.<sup>12</sup>

## **Transparency in Pricing: A Critical Tool for the Price-Conscious**

A critical instrument in achieving the savings Medicare participants are realizing is the Medicare program's nationwide database, known as "Price Compare." This database allows the public to compare drug prices at the retail and mail-order level, as well as the price of brand-name drugs and their generic equivalents. The availability of this information, updated weekly, is a result of price negotiations between Medicare-approved card sponsors and manufacturers. The database does not stop at just Medicare-approved card sites, however. It takes the additional step in displaying other options for beneficiaries to consider, such as state pharmacy assistance programs (SPAP) and manufacturer patient assistance (PAPs) programs.<sup>13</sup>

Enabling the public to compare prices is a major step forward to introducing competition into the Medicare program. According to a recent study conducted by the American Enterprise Institute (AEI), the level of "price transparency is unprecedented." Perhaps, more importantly, the study goes on to suggest that "there is reason to hope that the Medicare discount card program could be a catalyst for larger changes in the way we buy health care in this country."<sup>14</sup>

President Bush, during a recent town hall meeting in Liberty, Missouri, discussed the drug card with seniors who were using them. One senior citizen noted that with her card, she paid \$22.60 for a set of prescriptions that previously cost her \$300. She expects to save up to \$500 this year. Another senior citizen stated that she paid \$1.14 with the drug card for a prescription that

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<sup>12</sup>CMS, press release "Enhanced Medicare Website and 800 Number Make it Faster to Start Saving with Medicare-Approved Drug Discount Cards," July 15, 2004.

<sup>13</sup>Currently, 29 states administer State Pharmacy Assistant Programs, also known as SPAPs, to help seniors afford prescription medicines. Nine other states are considering SPAP legislation. In addition, pharmaceutical companies offer a variety of discount programs. The Pharmacy Assistance Programs, also known as PAPs, are separate from Medicare. Enrollment is typically free of charge based on income eligibility, and discounts cover a manufacturer's products. One exception is the Together Rx card which is jointly sponsored by 7 pharmaceutical companies: Abbott, Aventis, Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, and Novartis. The Together Rx card offers discounts on more than 170 prescription drugs.

<sup>14</sup>AEI, "Private Discounts, Public Subsidies: How the Medicare Prescription Drug Discount Card Really Works," June 2004, pg. 24.

usually costs her \$10. She expects to save some \$750 in prescription drug expenses for the remainder of this year due to the new Medicare drug card program.<sup>15</sup>

Personal testimonies like those made to the President in Missouri are the type of examples that invalidate Democrats' criticisms.

## **Meeting the Goal of the Drug Card Program**

According to Dr. Mark McClellan, administrator of the Centers for Medicare and Medicaid Services (CMS), nearly 4 million beneficiaries had enrolled in the program in its first month, and 25,000 new beneficiaries are enrolling each day.<sup>16</sup> While this figure can be viewed as an indication of progress, critics of the program have used that same data as a reason to denigrate the program, arguing that the low enrollment (in comparison to the Medicare population as a whole) shows the program is failing to serve seniors.<sup>17</sup>

Program supporters might respond by asking how much higher enrollment might be if Democrats had been investing as much energy to promote the card and its savings as they have in their campaign to criticize it?

The Bush Administration is well on its way to reaching its enrollment goal of 7 million beneficiaries by the end of 2004. In a December 2003 memorandum issued by CMS, it was assumed that about 15 million beneficiaries likely would benefit financially from the drug discount card. On an annual basis, the administration predicted that 7.3 million beneficiaries likely would enroll in 2004 and another 7.4 million beneficiaries likely would enroll in 2005.<sup>18</sup> It is important to note that the drug discount program was not designed to attract all of its 41 million beneficiaries. The reason: only a quarter of beneficiaries are without any prescription drug coverage since the majority of beneficiaries receive coverage through employer-sponsored retiree health plans, Medicaid, Medicare + Choice, Medigap, Department of Defense, and Veterans Affairs.

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<sup>15</sup>Both examples are mentioned in "Medicare Drug Discount Cards Help Seniors Save on Drug Costs, Remarks by the President in a Conversation on Medicare and Approved Prescription Drug Discount Cards," issued by the White House Office of the Press Secretary, June 14, 2004.

<sup>16</sup>Dr. Mark McClellan, administrator, CMS, in testimony to the Senate Special Committee on Aging, July 19, 2004.

<sup>17</sup>See, for example, remarks by Senator Kent Conrad, *Congressional Record*, June 8, 2004, and Senator Debbie Stabenow, *Congressional Record*, July 14, 2004.

<sup>18</sup>CMS, "Overview: Medicare Prescription Drug Discount Card and Transitional Assistance Program," December 8, 2003.

### **Initial Low Enrollment Rates Are Not Unprecedented**

History indicates that it is often difficult to attract enrollment in federal health programs at the onset. For instance, the State Children's Health Insurance Program (SCHIP), which was created to expand health insurance coverage to uninsured children under the age of 19 residing with low-income families, struggled to enroll only 1 million children during its first phase of implementation in 1998. The Clinton Administration's goal was to enroll 5 million children in the SCHIP program by 2002. While the final goal ultimately was met, administration officials expressed disappointment with early enrollment rates.<sup>19</sup> Note that this is a program that provides free – not discounted – medical care, including immunizations, well-child care check-ups, and physician and hospital visits.

### **Conclusion: Beneficiaries Deserve Correct Information**

Clearly, the Medicare drug discount card program is a work in progress. Given the breadth of new information displayed by the program's prescription-drug database and the formatting of information required of beneficiaries, some confusion over the complexity is to be expected. However, the Democrats' weekly radio address and continued public criticisms are a disservice to today's Medicare beneficiaries. The Medicare drug discount card program offers savings to many seniors and enrollment rates will go up significantly if criticisms go down. Democratic lawmakers should heed the current research confirming such savings and encourage beneficiaries to check the facts so they can make informed decisions for themselves. This is too important an economic issue to become a political football.

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<sup>19</sup>Congressional Research Service, "SCHIP Enrollment Rates," Memorandum, June 24, 2004.